

QUARTERLY REPORT

LICENSEE: ATLANTIC CITY SHOWBOAT, INC

FOR THE QUARTER ENDED DECEMBER 31, 2004

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents.....	42,441	\$ 35,087
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2004, \$1,361 ; 2003, \$3,472)	3,937	3,862
4	Inventories.....NOTE 2	1,441	1,475
5	Prepaid Expenses, Other Current Assets and Deferred Tax Asset.....NOTE 4	4,957	6,932 *
6	Total Current Assets.....	52,776	47,356
7	Investments, Advances, and Receivables.....NOTES 5 & 13	1,444,768	1,346,392
8	Property and Equipment - Gross.....	670,672	666,804
9	Less: Accumulated Depreciation and Amortization.....	(293,493)	(304,679)
10	Property and Equipment - Net.....NOTE 6	377,179	362,125
11	Other Assets.....	1,397	1,463
12	Total Assets.....	\$ 1,876,120	\$ 1,757,336
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	10,432	3,846
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other.....	231	209
17	Income Taxes Payable and Accrued.....	-	-
18	Other Accrued Expenses.....NOTE 7	73,828	20,709
19	Other Current Liabilities.....	700	538
20	Total Current Liabilities.....	85,191	25,302
	Long-Term Debt:		
21	Due to Affiliates.....NOTE 8	715,000	715,000
22	Other.....	146	376
23	Deferred Credits.....NOTE 11	22,112	19,737 *
24	Other Liabilities.....NOTE 9	986,212	941,710
25	Commitments and Contingencies.....NOTE 13		
26	Total Liabilities.....	1,808,661	1,702,125
27	Stockholders', Partners', or Proprietor's Equity.....	67,459	55,211
28	Total Liabilities and Equity.....	\$ 1,876,120	\$ 1,757,336

*Prior year balances have been restated to conform with current presentation

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the Notes.

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	Revenue:		
1	Casino.....	\$ 387,037	\$ 371,044
2	Rooms.....	39,139	26,838
3	Food and Beverage.....	49,144	50,879
4	Other.....	5,069	5,197
5	Total Revenue.....	480,389	453,958
6	Less: Promotional Allowances.....	125,569	109,197
7	Net Revenue.....	354,820	344,761
	Costs and Expenses:		
8	Cost of Goods and Services.....	192,773	196,824
9	Selling, General, and Administrative.....	32,193	32,695
10	Provision for Doubtful Accounts.....	(6)	(11)
11	Total Costs and Expenses.....	224,960	229,508
12	Gross Operating Profit.....	129,860	115,253
13	Depreciation and Amortization.....	32,982	27,085
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other..... NOTE 3	17,189	16,742
16	Income (Loss) from Operations.....	79,689	71,426
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....NOTE 8	(57,777)	(57,797)
18	Interest (Expense) - External.....	-	-
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(2,215)	(1,392)
20	Nonoperating Income (Expense) - Net.....NOTE 12	(277)	887
21	Total Other Income (Expenses).....	(60,269)	(58,302)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	19,420	13,124
23	Provision (Credit) for Income Taxes.....	7,172	7,360
24	Income (Loss) Before Extraordinary Items.....	12,248	5,764
	Extraordinary Items (Net of Income Taxes -		
25	(2004, \$ 0 ; 2003, \$ 0).....	-	-
26	Net Income (Loss).....	\$ 12,248	\$ 5,764

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the Notes.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	Revenue:		
1	Casino.....	\$ 88,444	\$ 90,442
2	Rooms.....	9,914	7,980
3	Food and Beverage.....	10,937	11,710
4	Other.....	879	749
5	Total Revenue.....	110,174	110,881
6	Less: Promotional Allowances.....	28,964	28,992
7	Net Revenue.....	81,210	81,889
	Costs and Expenses:		
8	Cost of Goods and Services.....	43,263	48,308
9	Selling, General, and Administrative.....	12,320	8,390
10	Provision for Doubtful Accounts.....	(44)	(124)
11	Total Costs and Expenses.....	55,539	56,574
12	Gross Operating Profit.....	25,671	25,315
13	Depreciation and Amortization.....	8,482	7,278
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....NOTE 3	4,177	4,131
16	Income (Loss) from Operations.....	13,012	13,906
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....NOTE 8	(14,442)	(14,448)
18	Interest (Expense) - External.....	-	-
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(558)	(290)
20	Nonoperating Income (Expense) - Net.....NOTE 12	(292)	164
21	Total Other Income (Expenses).....	(15,292)	(14,574)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	(2,280)	(668)
23	Provision (Credit) for Income Taxes.....	(2,429)	1,906
24	Income (Loss) Before Extraordinary Items.....	149	(2,574)
	Extraordinary Items (Net of Income Taxes - (2004, \$ 0 ; 2003, \$ 0).....	-	-
26	Net Income (Loss).....	\$ 149	\$ (2,574)

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the Notes.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2003 AND THE TWELVE MONTHS ENDED DECEMBER 31, 2004

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)	(h)	Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2002.....	1,500	\$ 70,492	-	\$ -	\$ -	\$ -	\$ (21,045)	\$ 49,447
2	Net Income (Loss) - 2003.....							5,764	5,764
3	Contribution to Paid-in-Capital.....								
4	Dividends.....								
5	Prior Period Adjustments.....								
6									
7									
8									
9									
10	Balance, December 31, 2003.....	1,500	70,492	-	-	-	-	(15,281)	55,211
11	Net Income (Loss) - 2004.....							12,248	12,248
12	Contribution to Paid-in -Capital.....								
13	Dividends.....								
14	Prior Period Adjustments.....								
15	1999 Income Tax Adjustment								
16									
17									
18									
19	Balance, December 31, 2004.....	1,500	\$ 70,492	-	\$ -	\$ -	\$ -	\$ (3,033)	\$ 67,459

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the Notes.

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 56,887	\$ 96,174
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....		
3	Proceeds from the Sale of Short-Term Investment Securities.....		
4	Cash Outflows for Property and Equipment.....	(44,967)	(81,585)
5	Proceeds from Disposition of Property and Equipment.....	13	14
6	Purchase of Casino Reinvestment Obligations.....	(4,371)	(4,600)
7	Purchase of Other Investments and Loans/Advances made.....		
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....		
9	Cash Outflows to Acquire Business Entities.....		
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(49,325)	(86,171)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....		
14	Payments to Settle Short-Term Debt.....	22	20
15	Cash Proceeds from Issuance of Long-Term Debt.....		
16	Costs of Issuing Debt.....		
17	Payments to Settle Long-Term Debt.....	(230)	(209)
18	Cash Proceeds from Issuing Stock or Capital Contributions.....		
19	Purchases of Treasury Stock.....		
20	Payments of Dividends or Capital Withdrawals.....	-	-
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	(208)	(189)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	7,354	9,814
25	Cash and Cash Equivalents at Beginning of Period.....	35,087	25,273
26	Cash and Cash Equivalents at End of Period.....	\$ 42,441	\$ 35,087
	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 46,126	\$ 69,888
28	Income Taxes.....	\$ 800	\$ 1,752

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the Notes.

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 AND 2003

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2004 (c)	2003 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ 12,248	\$ 5,764
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	32,982	27,085
31	Amortization of Other Assets.....	340	340
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	1,694	244
34	Deferred Income Taxes - Noncurrent.....	2,375	(315)
35	(Gain) Loss on Disposition of Property and Equipment.....	556	32
36	(Gain) Loss on Casino Reinvestment Obligations.....	2,215	1,392
37	(Gain) Loss from Other Investment Activities.....		
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	(75)	631
39	Net (Increase) Decrease in Inventories.....	1	384
40	Net (Increase) Decrease in Other Current Assets.....	281	(1,022)
41	Net (Increase) Decrease in Other Assets.....	(307)	19
42	Net Increase (Decrease) in Accounts Payable.....	3,041	(1,157)
	Net Increase (Decrease) in Other Current Liabilities Excluding Debt.....	53,281	(19,115)
43	Net Increase (Decrease) in Other Noncurrent Liabilities Excluding Debt.....	44,502	144,424
44	Net (Increase) Decrease in Invest., Advances, and Receivables.....	(96,247)	(62,532)
45			
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 56,887	\$ 96,174

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	\$ 44,967	\$ 81,585
49	Less: Capital Lease Obligations Incurred.....		-
50	Cash Outflows for Property and Equipment.....	\$ 44,967	\$ 81,585
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment.....		
53	Long-Term Debt Assumed.....		
54	Issuance of Stock or Capital Invested.....		
55	Cash Outflows to Acquire Business Entities.....	\$	\$
56			
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....	\$	\$
58	Less: Issuances to Settle Long-Term Debt.....		
59	Consideration in Acquisition of Business Entities.....		
60	Cash Proceeds from Issuing Stock or Capital Contributions.....	\$	\$

*Prior year balances have been restated to conform with current presentation

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the Notes.

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	434,419	\$ 33,586		
2	Food	1,637,082	21,921		
3	Beverage	7,335,392	9,830		
4	Travel	-		2,709	474
5	Bus Program Cash	788,674	12,678		
6	Other Cash Complimentaries	1,638,694	46,303	-	-
7	Entertainment	42,828	1,070		
8	Retail & Non-Cash Gifts	-			
9	Parking	-	-		
10	Other	20,688	181	34,861	733 *
11	Total	11,897,777	\$ 125,569	37,570	\$ 1,207

FOR THE THREE MONTHS ENDED DECEMBER 31, 2004

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	98,901	\$ 8,309		\$ -
2	Food	372,809	5,021		
3	Beverage	1,568,735	2,107		
4	Travel			744	130
5	Bus Program Cash	169,274	2,873		-
6	Other Cash Complimentaries	379,305	10,605	-	-
7	Entertainment	361	8		
8	Retail & Non-Cash Gifts				
9	Parking	-	-		
10	Other	4,737	41	28,401	248 *
11	Total	2,594,122	28,964	29,145	\$ 378

*Included in the other Promotional Expenses is the cost of Cigarette and Cigar complimentaries in the amount of \$396,000.

*No other individual complimentary service or item within the "Other" category exceeds 5% of that column's total.

ATLANTIC CITY SHOWBOAT, INC.

Notes to Financial Statements

(Dollars In Thousands)

(1) ORGANIZATION AND BASIS OF PRESENTATION

Atlantic City Showboat, Inc. (the "Company"), is a wholly-owned subsidiary of Ocean Showboat, Inc. (OSI), which is a wholly-owned subsidiary of Showboat, Inc. ("SBO"). SBO is a wholly owned subsidiary of Harrah's Operating Company, Inc. ("HOC"), which is a direct wholly owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's"). OSI was incorporated in 1983 and is a holding company with its principal assets being investments in the Company. The Company conducts casino gaming operations and operates full supportive services of hotel, restaurant, bar and convention facilities at the Showboat Hotel and Casino in Atlantic City, New Jersey ("Atlantic City Showboat"). On June 1, 1998, Harrah's, a Delaware corporation, purchased SBO and its subsidiaries.

The Company is licensed to operate the facility by the New Jersey Control Commission (the "CCC") and is subject to rules and regulations established by the CCC. The Company's license is subject to renewal every four years with the current license expiring April 2008.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allowance for Doubtful Accounts

The Company reserves an estimated amount for receivables that may not be collected. The methodology for estimating the allowance includes using specific reserves and applying various percentages to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific allowances. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating the allowance for bad debts.

Inventories

Inventories, which consist primarily of food, beverage and operating supplies, are stated at the lower of average cost or market value.

Land, Buildings and Equipment

Land, buildings, and equipment additions are stated at cost, including capitalized interest on intercompany funds used to finance construction calculated at Harrah's overall weighted-average borrowing rate of interest.

Improvements and repairs that extend the life of the asset are capitalized. Building improvements are depreciated over the remaining life of the building. Maintenance and repairs are expensed as incurred.

Depreciation is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term, as follows:

Land improvements	12 years
Buildings and improvements	30 to 40 years
Furniture, fixtures and equipment	3 to 12 years

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Land, Building & Equipment (Cont.)

The Company reviews the carrying value of land, buildings and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors.

Deferred Financing Cost

Costs associated with the issuance of debt have been deferred and are being amortized to interest expense over the life of the related indebtedness using the effective interest method.

Financial Instruments

The carrying amount of cash equivalents, receivables and all current liabilities approximates fair value due to their short-term nature. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. After giving effect to their allowances, the Casino Reinvestment Development Authority (CRDA) bonds and deposits approximately indicate their fair value based upon their below market interest rates. The carrying amount of long-term debt is estimated to approximate its fair value as the stated rates approximate current rates.

Revenue Recognition

Casino revenues consist of net gaming wins. Food and beverage and rooms revenues include the aggregate amounts generated by those departments.

Total Rewards Program Liability

Harrah's customer reward program, Total Rewards, offers incentives to customers who gamble at Harrah's casinos throughout the United States. Under the program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program. The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior six-month period. The estimated incremental cost of the goods or services to be provided when the Reward Credits are redeemed, after consideration of estimated breakage, is expensed as the Reward Credits are earned. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. At December 31, 2004 and 2003, approximately \$2,377 and \$2,332, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions.

Promotional Allowances

Gross revenues include the retail value of complimentary food, beverage, theater and hotel services furnished to patrons. The retail value of these promotional allowances is deducted to arrive at net revenues. Recent accounting pronouncements on promotional allowances have been expanded to include cash rebates. The estimated cost of providing complimentary services and cash rebates to customers for the twelve months ended December 31, 2004 and 2003, respectively, were as follows:

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Promotional Allowances (Cont.)

	<u>2004</u>	<u>2003</u>
Food and Beverage	\$24,388	\$25,314
Rooms	11,778	11,455
Other	570	1,742
Bus Program Cash	12,678	11,084
Other Cash Complimentaries	<u>46,303</u>	<u>39,926</u>
	<u>\$95,717</u>	<u>\$89,521</u>

Income Taxes

The Company is included in the consolidated federal tax return of Harrah's and files a separate New Jersey tax return. The provision for federal income taxes is computed based on the statutory federal rate as if the Company had filed a separate income tax return. The provision for state taxes is based on the statutory New Jersey tax.

Deferred income taxes reflect the net tax effects of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

(3) RELATED PARTY TRANSACTIONS

The Company participates with HOC and its other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by HOC on a consolidated basis. The Company believes that participating in these consolidated programs is beneficial in comparison to the terms for similar programs that it could negotiate on a stand-alone basis.

Certain of the more significant intercompany relationships between the Company and HOC are discussed in this footnote.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Cash Activity with HOC and Affiliates

The Company transfers cash in excess of its operating needs to HOC on a daily basis. Cash transfers from HOC to the Company are also made based upon the needs to the Company to fund daily operations, including accounts payable and payroll, as well as capital expenditures. In addition, the Company transfers cash to HOC to reimburse HOC for payroll costs of certain HOC employees who provide services to the Company. No interest is earned on the amount shown as due from affiliates, net, in the accompanying financial statements.

Employee Benefits

The Company maintains a defined contribution savings and retirement plan in which the non-union employees of the Company may participate. The plan, among other things, provides for pre-tax and after-tax contributions by employees. Under the plan, participating employees may elect to contribute up to 20 percent of their eligible earnings. Through 2003, the employer fully matched the first six percent of employees' contributions; however, effective January 1, 2004, the employer match is 50 percent for the first six percent of employees' contributions. Amounts contributed to the plan are invested, at the participant's direction, in up to 14 separate funds, including a Harrah's company stock fund. Participants become vested in the matching contributions over five years of credited service. The Company's contribution expense for the years ended December 31, 2004 and 2003 was approximately \$836 and \$1,848, respectively.

HOC also maintains deferred compensation plans, stock option plans and an Executive Supplemental Savings Plan, under which certain employees of the Company may defer a portion of their compensation. The expenses charged by HOC to the Company for its employees' participation in these programs are included in the administrative and other services charge discussed below.

The Company's union employees are covered by union-sponsored, collectively bargained, multi-employer pension plans. Contributions are generally determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of hours worked. Contributions to the plans were \$1,128 and \$1,106 during the twelve months ended December 31, 2004 and 2003, respectively.

Administrative and Other Services

The Company is charged a fee by HOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Company was charged approximately \$6,699 and \$6,198 respectively for these services for the twelve months ended December 31, 2004 and 2003. These fees are included in Charges from Affiliates Other than Interest in the statement of income.

Rental Agreement

The Company leases 10½ acres of Boardwalk property in Atlantic City, New Jersey for a term ending in 2082 from an affiliate. Annual rent payments, which are payable monthly are adjusted annually based upon changes in the Consumer Price Index. The Company is responsible for taxes, assessments, insurance and utilities. Rent expense under this lease for the twelve months ended December 31, 2004 and 2003 was \$10,553 and \$10,338 respectively.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(4) PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of December 31, 2004 and 2003, Prepaid Expenses and Other Current Assets consisted of the following:

	<u>2004</u>	<u>2003</u>
Prepaid Slot License	\$ 995	\$1,002
Prepaid Insurance	93	88
Deposits	282	192
Prepaid Advertising	541	583
Prepaid Contracts/Utilities	143	141
Prepaid Income Taxes	0	395
Prepaid Rent	868	868
Current Deferred Tax Asset	1,719	3,413
Other	<u>316</u>	<u>250</u>
	<u>\$4,957</u>	<u>\$6,932</u>

(5) INVESTMENTS, ADVANCES AND RECEIVABLES

As of December 31, 2004 and 2003, Investments, Advances and Receivables consisted of the following:

	<u>2004</u>	<u>2003</u>
CRDA Deposits (Note 13)	\$ 21,044	\$ 19,184
CRDA Bonds (Note 13)	<u>16,608</u>	<u>15,715</u>
	<u>37,652</u>	<u>34,899</u>
Less: Valuation Allowance on CRDA Investments	<u>(10,974)</u>	<u>(10,348)</u>
CRDA Investments, Net	26,678	24,551
Due From Affiliates	<u>1,418,090</u>	<u>1,321,841</u>
	<u>\$1,444,768</u>	<u>\$1,346,392</u>

Due From Affiliates consisted of the following:

	<u>2004</u>	<u>2003</u>
HARRAH'S	\$1,417,713	\$1,321,416
Harrah's Atlantic City	61	61
Showboat Indiana	14	14
Harrah's Lake Tahoe	19	19
Harrah's Joliet	8	8
Harrah's Ak-Chin	238	291
Harrah's North Kansas City	<u>37</u>	<u>32</u>
	<u>\$1,418,090</u>	<u>\$1,321,841</u>

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(6) LAND, BUILDINGS AND EQUIPMENT

As of December 31, 2004 and 2003, Land, Building and Equipment consisted of the following:

	<u>2004</u>	<u>2003</u>
Land and Land Improvements	\$ 17,018	\$ 19,144
Building and Improvements	435,663	425,262
Furniture, Fixtures and Equipment	201,138	210,188
Construction in Progress	16,363	11,720
Other property and equipment	<u>490</u>	<u>490</u>
	670,672	666,804
Less-accumulated depreciation and amortization	<u>(293,493)</u>	<u>(304,679)</u>
	<u>\$377,179</u>	<u>\$362,125</u>

(7) OTHER ACCRUED EXPENSES

As of December 31, 2004 and 2003, Other Accrued Expenses consisted of the following:

	<u>2004</u>	<u>2003</u>
Salaries and Wages	\$ 8,230	\$ 8,505
Taxes, Other Than Taxes on Income	2,132	1,736
Accrued Advertising and Promotion	2,586	1,853
Accrued Interest	57,387	4,782
Other	<u>3,493</u>	<u>3,833</u>
	<u>\$73,828</u>	<u>\$20,709</u>

(8) LONG-TERM DEBT

On May 18, 1993, SBO issued \$275,000 of 9 ¼% First Mortgage Bonds due 2008 ("9 ¼% Bonds") and subsequently loaned approximately \$215,000 of the proceeds to the Company evidenced by an intercompany note with terms and conditions consistent with those of the 9 ¼% Bonds. Subsequent to the acquisition of SBO by Harrah's on June 1, 1998, Harrah's completed tender offers and consent solicitations for SBO's 9 ¼% Bonds. As a result of the receipt of the requisite consents, Harrah's eliminated or modified substantially all of the negative covenants, certain events of default and made other changes to the respective indentures governing the 9 ¼% Bonds.

On January 15, 1999, the Company entered into a \$500,000 intercompany promissory note with HOC. The debt terms are consistent with the provisions of third party credit agreements arranged by HOC. The intercompany note is due on January 15, 2009, and is secured by the assets of the Company. Interest is payable semiannually at a rate of 7½%.

March 12, 2003, both the 9 ¼% Bonds and the 7½% Promissory Note were assigned by their respective holders to Harrah's Entertainment Limited, formerly known as Gaming Entertainment Limited. The terms and amounts of the debt were not affected by this assignment. The only notable change resulting from the assignment was a change in the timing of interest payments.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Long-Term Debt (Cont.)

Prior to the assignment interest payments were made semiannually. Throughout the remainder of 2003 interest payments were made on a monthly basis. However, for subsequent tax years, interest payments will be remitted annually, payable in the following year. As of December 31, 2004 and 2003, there was accrued interest of \$57,387 and \$4,782 respectively.

(9) OTHER LIABILITIES

As of December 31, 2004 and 2003, Other Liabilities consisted of the following:

	<u>2004</u>	<u>2003</u>
Due to Affiliates, Long-Term	\$985,972	\$941,555
Other	<u>240</u>	<u>155</u>
	<u>\$986,212</u>	<u>\$941,710</u>

Due To Affiliates, Long Term consisted of the following:

	<u>2004</u>	<u>2003</u>
HARRAH'S	\$588,280	\$517,804
SBO	380,566	408,432
Harrah's Las Vegas	6,441	6,435
Harrah's Reno	45	34
Harrah's Tunica	16	12
Harvey's Tahoe	691	663
Harrah's Laughlin	95	14
Rio Las Vegas	99	83
OSI	38	38
Harrah's Atlantic City	8,833	7,172
Showboat Operating Company	<u>868</u>	<u>868</u>
	<u>\$985,972</u>	<u>\$941,555</u>

(10) LEASES

The Company leases a warehouse under a long-term lease agreement that is capitalized as a capital lease. The Company has the option to purchase the warehouse from January 1, 2006 through March 31, 2006 at an option price of approximately \$1,928.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Leases (Cont)

Leases (with initial or remaining terms in excess of one year) as of December 31, 2004:

	<u>Capital Lease</u>	<u>Operating Leases</u>
Year ending December 31,		
2005	258	402
2006	151	128
Total minimum lease payments	409	<u>\$530</u>
Less amount representing interest	<u>(32)</u>	
Present value of minimum lease payments	<u>\$377</u>	

The Company has operating leases for office space, office equipment, and slot machines, which expire on various dates through 2006. Rental expense included in the accompanying statement of income for the twelve months ended December 31, 2004 and 2003 was approximately \$3,913 and \$5,505, respectively.

(11) INCOME TAXES (BENEFIT)

For the years ended December 31, 2004 and 2003, Income Tax Expense (Benefit) consisted of the following:

	<u>2004</u>	<u>2003</u>
Federal:		
Current	\$3,362	\$4,567
Deferred	<u>3,636</u>	<u>2</u>
	<u>6,998</u>	<u>4,569</u>
State :		
Current	(259)	2,865
Deferred	<u>433</u>	<u>(74)</u>
	<u>174</u>	<u>2,791</u>
Total		
Current	3,103	7,432
Deferred	<u>4,069</u>	<u>(72)</u>
	<u>\$7,172</u>	<u>\$7,360</u>

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Income Taxes (Benefit) (Cont.)

Temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities that give rise to significant portions of the net deferred tax liability relate to the following:

	<u>2004</u>	<u>2003</u>
Deferred tax assets:		
CRDA Obligation	\$ (5,251)	\$ (4,347)
Accrued Vacations	(1,065)	(1,519)
Allowance Doubtful Accounts	(556)	(1,418)
Wide Area Progressive Trust	(8,822)	(9,450)
Other	<u>(2,806)</u>	<u>(1,502)</u>
Total Deferred Tax Assets	(18,500)	(18,236)
Deferred Tax Liabilities:		
Depreciation and Amortization	<u>38,893</u>	<u>34,560</u>
Net Deferred Tax Liability	<u>\$ 20,393</u>	<u>\$ 16,324</u>

(12) NON-OPERATING INCOME (EXPENSE)

For the twelve months ended December 31, 2004 and 2003, Non-Operating Income (Expense) consisted of the following:

	<u>2004</u>	<u>2003</u>
Interest Income	\$ 818	\$ 919
Preopening/Demolition Expense	(525)	0
Gain/Loss on Asset Sales	(556)	(32)
Other Non Operating Expense	<u>(14)</u>	<u>0</u>
	<u>\$(277)</u>	<u>\$887</u>

(13) COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Company's financial position or results of operations.

CRDA Investment Obligation

The New Jersey Casino Control Act provides, among other things, for an assessment of licenses equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

CRDA Investment Obligation (Cont.)

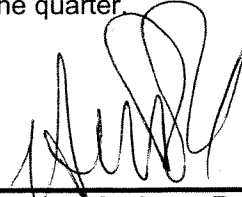
Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be used to purchase bonds designated by the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below market rate.

The Company includes CRDA investment bonds and funds on deposit in deferred charges and other non-current assets in the accompanying balance sheets. The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment obligations.

Deposits with the CRDA bear interest at two-thirds of market rates resulting in a current value lower than cost. As more fully disclosed in Note 5, at December 31, 2004 and 2003, Investments, Advances, and Receivables include \$26,678 and \$24,551 respectively, representing the Company's bond purchases and deposits with the CRDA, net of the valuation allowance. The carrying value of these deposits, net of the valuation allowance, approximates fair value.

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature - Anthony P. Rodio

Vice President of Finance & Admin.

Title

002895-11

License Number

On Behalf Of:

Atlantic City Showboat, Inc.

Casino Licensee

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE YEAR ENDED DECEMBER 31, 2004

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

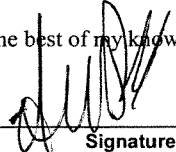
LINE (a)	DESCRIPTION (b)	ACCOUNT BALANCE (c)	ALLOWANCE (d)	ACCOUNTS RECEIVABLE NET OF ALLOWANCE (e)
	Patrons' Checks:			
1	Undeposited Patrons' Checks.....	\$ 1,270		
2	Returned Patrons' Checks.....	\$ 1,662		
3	Total Patrons' Checks.....	\$ 2,932	\$ 1,254	\$ 1,678
4	Hotel Receivables.....	\$ 198	\$ 107	\$ 91
	Other Receivables:			
5	Receivables Due from Officers and Employees.....	\$ -		
6	Receivables Due from Affiliates.....	\$ -		
7	Other Accounts and Notes Receivables.....	\$ 2,168		
8	Total Other Receivables.....	\$ 2,168		\$ 2,168
9	Totals (Form CCC-205).....	\$ 5,298	\$ 1,361	\$ 3,937

UNDEPOSITED PATRONS' CHECKS ACTIVITY

LINE (f)	DESCRIPTION (g)	AMOUNT (h)
10	Beginning Balance (January 1).....	\$ 1,295
11	Counter Checks Issued (Excluding Counter Checks Issued Through Transactions Relating to Consolidations, Partial Redemptions, Substitutions, and Patrons' Cash Deposits).....	\$ 49,873
12	Checks Redeemed Prior to Deposit (Excluding the Unredeemed Portion of Counter Checks Redeemed Through Partial Redemptions, and Excluding Checks Redeemed Through Transactions Relating to Consolidations, Substitutions, and Patrons' Cash Deposits).....	\$ (28,228)
13	Checks Collected Through Deposits.....	\$ (20,437)
14	Checks Transferred to Returned Checks.....	\$ (1,234)
15	Other Adjustments.....	
16	Ending Balance.....	\$ 1,269
17	"Hold" Checks Included in Balance on Line 16.....	\$
18	Provision for Uncollectible Patrons' Checks.....	\$ (6)
19	Provision as a Percent of Counter Checks Issued.....	0.0%

Under penalties of perjury, I declare that I have examined this Schedule of Receivables and Patrons' Checks and to the best of my knowledge and belief, it is true and complete.

3/31/04
Date


Signature

Vice President of Finance and Admin.
Title of Officer

ANNUAL EMPLOYMENT AND PAYROLL REPORT

AT DECEMBER 31, 2004
(\$ in Thousands)

LINE	DEPARTMENT	NUMBER OF EMPLOYEES AT DECEMBER 31, (c)	Other Employees (d)	Officers & Owners (e)	Totals (f)
	CASINO				
1	Administration	14			
2	Gaming	386			
3	Slots	135			
4	Casino Accounting	184			
5	Simulcasting	4			
6	Other	91			
7	Total - Casino	814	\$ 24,898	\$ 145	25,043
8	ROOMS	324	7,161	0	7,161
9	FOOD AND BEVERAGE	939	18,422	83	18,505
10	OTHER OPERATED DEPARTMENTS PBX	0	325		325
11	PARKING	12	298		298
12					
13					
14					
15					
16					
17					
18					
19					
20	ADMINISTRATIVE AND GENERAL Executive office	4	387	486	873
21	Accounting and auditing	73	3,015	108	3,123
22	Security	141	5,002	0	5,002
23	Other administrative and general department	34	4,908	78	4,986
24	MARKETING	4	48	288	336
25	GUEST ENTERTAINMENT	155	785	0	785
26	PROPERTY OPERATION AND MAINTENANCE	214	7,758	0	7,758
27	TOTALS - ALL DEPARTMENTS	2,714	\$ 73,007	\$ 1,188	74,195
SALARIES AND WAGES					

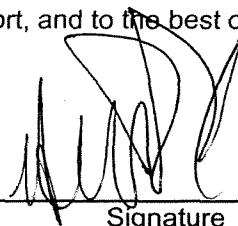
TRADING NAME OF LICENSEE

ATLANTIC CITY SHOWBOAT, INC.

**ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE**

FOR THE YEAR ENDED DECEMBER 31, 2004

Under penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a horizontal line.

Signature

Vice President of Finance and Administration

Title

March 31, 2005

Date

3/29/05

TRADING NAME OF LICENSEE ATLANTIC CITY SHOWBOAT

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2004

Line

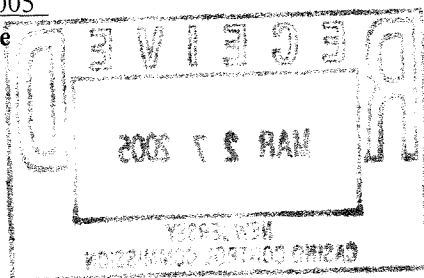
CASINO WIN:

1.	Table and Other Games Win.....	\$ 43,018,243
2.	Slot Machines Win.....	349,562,307
3.	Total Win.....	392,580,550
4.	Recovery for Uncollectible Patrons' Checks.....	
5.	Gross Revenue (line 3 plus line 4).....	392,580,550
6.	Tax on Gross Revenue - Reporting Year (8% of line 5).....	31,406,444
7.	Audit or Other Adjustments to Tax on Gross Revenues in Prior Years	8,134
8.	Total Taxes on Gross Revenue (the sum of lines 6 and 7).....	31,414,578
9.	Total (Deposits) Made for Tax on Reporting Year's Gross Revenue.....	(31,406,444)
	Settlement of Prior Years' Tax on Gross Revenue	
10.	Resulting from Audit or Other Adjustments - (Deposits) Credits	(8,134)
11.	Gross Revenue Taxes Payable (the net of lines 8, 9 and 10)	\$ -

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

3/9/2005

Date



Signature

Vice President of Finance & Admin.

Title of Officer